

FISCAL NOTE FOR NON-CAPITAL PROJECTS

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Legislation Title: AN ORDINANCE relating to City public works, providing findings regarding Priority hire; establishing a policy to promote training and career opportunities for individuals in the construction trades; establishing priorities for the hiring of Residents in Economically Distressed Areas with particular priority for Seattle and King County; directing the Department of Finance and Administrative Services to execute a Project Labor Agreement for public works projects; directing that the program be evaluated and reported on annually; adding a new Chapter 20.37 to the Seattle Municipal Code, which includes Sections 20.37.010, 20.37.020, 20.37.030, 20.37.040, 20.37.050, 20.37.060, 20.37.070, 20.37.080, and amending Seattle Municipal Code Sections 20.38.005 and 20.38.010 in connection thereto.

Summary of the Legislation:

This legislation supports recommendations made by the Construction Careers Advisory Committee (CCAC), appointed by Mayor and Council in 2013. The committee recommended that contractors performing City-funded public works projects of \$5 million or more in construction budget (including contingency but excluding city soft costs) be required to prioritize hire of residents from economically distressed zip codes, especially in Seattle and King County. The legislation amends existing SMC 20.38 to increase apprentice hiring requirements. The legislation introduces new requirements for hiring graduates from local pre-apprentice institutions and sets aspirational goals for hiring women and racial minorities. The legislation directs the Department of Finance and Administrative Services (FAS) to support pre-apprentice and apprentice programs in ways that may increase graduation and employment of such workers. Finally, the legislation directs FAS to execute a Project Labor Agreement (PLA) for those same projects. The PLA will support effective priority hire by relying upon existing union mechanisms that train and dispatch workers. The PLA also ensures the City is notified of worker disputes and provides a grievance process, allowing the City to assure fair and responsive administration of such grievances.

Background:

In 2013, the Mayor and City Council appointed CCAC members, including general contractors, women- or minority-owned business contractors, labor, training providers and community advocates, to develop recommendations that could encourage or require the hiring of underrepresented workers on public works projects funded by the City of Seattle.

The CCAC reviewed studies commissioned by FAS about the demographic profile of city construction workers, the construction labor market, and best practices in prioritized hiring. The Mayor and City Council considered the CCAC's recommendations to develop legislative policies to enact specific programs to support them.

Please check one of the following:

X This legislation has financial implications.

This legislation proposes the same dollar threshold for the PLA as for the prioritized hiring, with both thresholds at \$5 million or more. If the Council legislates a different dollar threshold for the PLA than for priority hire requirements, projected City administrative costs will increase significantly, and funding will need to be adjusted accordingly.

There are costs associated with the PLA. The legislation requires the City to reimburse "dual benefits" payments that contractors make on behalf of their core employees while they work on projects governed by a PLA. Preliminary estimates indicate that such reimbursement costs could range from \$150,000 to \$275,000 annually, depending on the number and type of projects that fall within the PLA thresholds. Less visible costs could be incurred if fewer contractors bid on City jobs, or if the program were to increase bidders' costs. While industry studies and City experience on the Alaskan Way Seawall Replacement Project (aka the Elliot Bay Seawall Project) suggest this is not a measurable risk, some stakeholders and studies suggest these costs should be anticipated. FAS has no estimate of an associated bid price increase.

The following tables reflect the funding and staffing that FAS staff estimate the proposed program will require during 2015-2016. These figures are not fully reflected in the Mayor's forthcoming 2015-2016 Proposed Budget, since that document was finalized while negotiations over this legislation were ongoing. The Proposed Budget provides funds to at least launch the program in early 2015. In addition, the Proposed Budget will delay cost recovery from capital departments until 2016 when the City has more certainty about FAS program costs. To the extent that legislation adopted by Council requires resources in excess of FAS's budget, Mayor and Council may consider providing additional resources in future supplemental legislation or budget actions.

Projected Costs:*

2015 Projected Costs*	2016 Projected Costs*
\$978,833	\$1,198,389
\$978,833	\$1,198,389

*NOTE: This legislation does not appropriate any funds. The figures above are advisory. Support for this program will be handled through regular budget processes. Projected costs include costs that are typically appropriated and do not include rent, equipment and motor pool costs.

Projected Regular Positions, Including FTE Impact:**

Position Title and Department	Position # for Existing Positions	PT/ FT	2015 Positions**	2015 FTE**	2016 Positions**	2016 FTE**
Strategic Advisor 1 - Enforcement	N/A	FT	1	1.0		
Strategic Advisor 1 -Enforcement	N/A	FT	1	1.0		
Strategic Advisor 1 -Enforcement	N/A	FT	1	1.0		
Strategic Advisor 1 -Enforcement	N/A	FT			1	1.0
Admin Staff Analyst	N/A	FT	1	1.0		
Sr Planning and Development Spec - Pre-Apprentice Coordinator	N/A	FT	1	1.0		
Strategic Advisor 1 - Ombudsman	N/A	FT			1	1.0
Senior Contract Analyst -Worker Recruiter	N/A	FT	1	1.0		
TOTAL			6	6.0 FTE	2	2.0 FTE

**Note: This legislation does not create any positions. Figures above are advisory. Required positions will be addressed through regular budget processes.

Do positions sunset in the future? No

a) What is the financial cost of not implementing the legislation?

The program authorized by this legislation will provide construction career opportunities that can stabilize workers, neighborhoods and the city's economic base, potentially providing some reduction in social service costs associated with chronic unemployment and under-employment. Additionally, a study conducted by Community Attributes anticipates an increasingly tight labor market through 2019, leaving only a marginal 5.8 percent surplus of workers by 2019 such that the City may expect worker shortages for certain trades. This projected workforce shortage would likely cause increased labor costs on City-funded construction contracts. The program authorized by this legislation will provide an expanded workforce in the construction trades to ameliorate a potential shortage of workers.

b) Does this legislation affect any departments besides the originating department?

Yes, capital departments (SPU, SCL, SDOT and FAS) will see an increase in FAS cost allocations in 2016. The following departments would each pay a portion of total costs depending on the dollar thresholds. The costs reflected below are based on estimates of future projects with the exclusion of projects that are 1) funded with federal USDOT dollars as USDOT would likely prohibit the use of PLAs, and 2) those projects located in very remote areas, such as SCL's projects in Pend Oreille County.

	All projects	Only projects of \$5 million or more that are predicted for 2015-2016	Only projects of \$10 million or more that are predicted for 2015-2016
SCL	9.42%	21.7%	21.6%
SDOT	42.29%	26.9%	25.3%
FAS	7.27%	21.9%	24.5%
SPU	41.02%	29.5%	28.6%

c) What are the possible alternatives to the legislation that could achieve the same or similar objectives?

While San Francisco still accomplishes a number of projects using PLA agreements, for remaining projects it also utilizes a secondary worker referral system that costs approximately \$3.5 million per year. The City could implement a similar referral program instead of employing a PLA but, like San Francisco, would need to increase funding considerably in order to do so. Instead of providing resources to support pre-apprentice and apprentice training programs and students, the City could pursue federal and state grant opportunities with local partners to fund the program.

d) Is a public hearing required for this legislation?

No.

e) Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?

No.

f) Does this legislation affect a piece of property?

No.

g) Other Issues:

None.

List attachments to the fiscal note below: